

CITY OF IDA GROVE  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2013

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CITY OF IDA GROVE

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dennis Ernst	Mayor	January 2014
Doug Clough	Council Member	January 2014
Craig Rupert	Council Member	January 2014
Bill Carnine	Council Member	January 2016
Paul Cates	Council Member	January 2016
Robert Fineran	Council Member	January 2016
Edie Ball	Clerk	Indefinite
Laurel Boerner	Attorney	Indefinite

# HUNZELMAN, PUTZIER & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.  
JASON K. RAVELING  
TAMMY M. CARLSON, C.P.A.  
RICHARD R. MOORE, C.P.A. (RETIRED)  
WESLEY E. STILLE, C.P.A. (RETIRED)  
KENNETH A. PUTZIER, C.P.A. (RETIRED)  
W. J. HUNZELMAN, C.P.A. 1921-1997

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## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council  
Ida Grove, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Ida Grove, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Ida Grove as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

## Other Matters

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Ida Grove's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the budgetary comparison information on pages 20 through 21 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2014, on our consideration of City of Ida Grove's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Ida Grove's internal control over financial reporting and compliance.

*Hummelman, Putzier & Co., PLLC*

March 24, 2014

CITY OF IDA GROVE  
STATEMENT OF ACTIVITIES AND NET POSITION – CASH BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

Exhibit A

Functions/Programs:	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business Type Activities	Total	
Governmental activities:								
Public safety	\$ 399,556	\$ 6,205	\$ 58,930	\$ 1,421	\$ (333,000)	\$ -	\$ (333,000)	\$ -
Public works	435,505	25,120	209,316	-	(201,069)	-	(201,069)	-
Health and social services	4,667	-	-	-	(4,667)	-	(4,667)	-
Culture and recreation	447,888	163,256	79,481	-	(205,151)	-	(205,151)	-
General government	173,900	5,237	1,818	-	(166,845)	-	(166,845)	-
Debt service	217,065	-	-	-	(217,065)	-	(217,065)	-
Capital projects	57,398	-	-	-	(57,398)	-	(57,398)	-
Total governmental activities	<u>1,735,979</u>	<u>199,818</u>	<u>349,545</u>	<u>1,421</u>	<u>(1,185,195)</u>	<u>-</u>	<u>(1,185,195)</u>	<u>-</u>
Business type activities:								
Water	246,470	278,323	-	-	-	31,853	31,853	-
Sewer	207,305	135,963	-	-	-	(71,342)	(71,342)	-
Solid Waste	161,768	167,325	-	-	-	5,557	5,557	-
Total business type activities	<u>615,543</u>	<u>581,611</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(33,932)</u>	<u>(33,932)</u>	<u>-</u>
Total primary government	<u>\$ 2,351,522</u>	<u>\$ 781,429</u>	<u>\$ 349,545</u>	<u>\$ 1,421</u>	<u>(1,185,195)</u>	<u>(33,932)</u>	<u>(1,219,127)</u>	<u>-</u>
Component Unit:								
Ida Grove Community Rec Center								
Endowment Trust	<u>\$ 5,086</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,086)</u>
General Receipts and Transfers:								
Property and other city tax levied for:								
General purposes					831,777	-	831,777	-
Debt service					22,343	-	22,343	-
Tax increment financing					66,612	-	66,612	-
Local option sales tax					184,177	-	184,177	-
Hotel-motel tax					33,696	-	33,696	-
Unrestricted interest on investments					2,257	-	2,257	6,393
Miscellaneous					25,662	-	25,662	-
Transfers					66,000	(66,000)	-	-
Total general receipts and transfers					<u>1,232,524</u>	<u>(66,000)</u>	<u>1,166,524</u>	<u>6,393</u>
Change in cash basis net position					47,329	(99,932)	(52,603)	1,307
Cash basis net position beginning of year					<u>1,096,981</u>	<u>366,477</u>	<u>1,463,458</u>	<u>255,224</u>
Cash basis net position end of year					<u>\$ 1,144,310</u>	<u>\$ 266,545</u>	<u>\$ 1,410,855</u>	<u>\$ 256,531</u>

(continued)

CITY OF IDA GROVE  
STATEMENT OF ACTIVITIES AND NET POSITION – CASH BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

Exhibit A  
 (continued)

	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business Type Activities	Component Total Unit
Cash Basis Net Position							
Restricted:							
Expendable:							
Streets					\$ 245,757	\$ -	\$ 245,757 \$ -
Tax increment financing projects					169,364	-	169,364 -
Other purposes					532,534	-	532,534 -
Ida Grove Community Rec Center					-	-	- 256,531
Unrestricted					196,655	266,545	463,200 -
Total cash basis net position					<u>\$ 1,144,310</u>	<u>\$ 266,545</u>	<u>\$ 1,410,855</u> <u>\$ 256,531</u>

See notes to financial statements.

CITY OF IDA GROVE  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

Exhibit B

	Special Revenue						
	General	Road Use Tax	Local Option Sales Tax	Tax Increment Financing	Debt Service	Nonmajor	Total
Receipts:							
Property tax	\$ 713,034	\$ -	\$ -	\$ -	\$ 22,342	\$ 118,744	\$ 854,120
Tax increment financing	-	-	-	66,612	-	-	66,612
Other city tax	33,696	-	184,177	-	-	-	217,873
Licenses and permits	7,285	-	-	-	-	-	7,285
Use of money and property	22,650	-	-	-	-	-	22,650
Intergovernmental	30,878	205,131	-	-	-	1,421	237,430
Charges for services	143,796	-	-	-	-	-	143,796
Miscellaneous	167,542	-	-	-	-	-	167,542
Total receipts	<u>1,118,881</u>	<u>205,131</u>	<u>184,177</u>	<u>66,612</u>	<u>\$ 22,342</u>	<u>120,165</u>	<u>1,717,308</u>
Disbursements:							
Operating:							
Public safety	396,276	-	-	-	-	3,280	399,556
Public works	246,646	162,361	-	-	-	26,498	435,505
Health and social services	4,667	-	-	-	-	-	4,667
Culture and recreation	394,334	-	-	-	-	53,554	447,888
General government	149,033	-	-	-	-	24,867	173,900
Debt service	-	-	-	-	217,065	-	217,065
Capital Projects	-	-	-	-	-	57,398	57,398
Total disbursements	<u>1,190,956</u>	<u>162,361</u>	<u>-</u>	<u>-</u>	<u>217,065</u>	<u>165,597</u>	<u>1,735,979</u>
Excess (deficiency) of receipts over disbursements	<u>(72,075)</u>	<u>42,770</u>	<u>184,177</u>	<u>66,612</u>	<u>(194,723)</u>	<u>(45,432)</u>	<u>(18,671)</u>
Other financing sources (uses):							
Operating transfers in	-	-	-	-	195,723	-	195,723
Operating transfers out	-	-	(44,287)	(85,436)	-	-	(129,723)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(44,287)</u>	<u>(85,436)</u>	<u>195,723</u>	<u>-</u>	<u>66,000</u>
Net change in cash balances	(72,075)	42,770	139,890	(18,824)	1,000	(45,432)	47,329
Cash balances beginning of year	<u>324,276</u>	<u>482,834</u>	<u>329,393</u>	<u>188,188</u>	<u>(20,432)</u>	<u>(207,278)</u>	<u>1,096,981</u>
Cash balances end of year	<u>\$ 252,201</u>	<u>\$ 525,604</u>	<u>\$ 469,283</u>	<u>\$ 169,364</u>	<u>\$ (19,432)</u>	<u>\$ (252,710)</u>	<u>\$ 1,144,310</u>



CITY OF IDA GROVE  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

Exhibit B  
(continued)

	Special Revenue					
	General	Road Use Tax	Local Option Sales Tax	Tax Increment Financing	Debt Service	Nonmajor
Cash Basis Fund Balances						
Restricted for:						
Streets	\$ -	\$ 245,757	\$ -	\$ -	\$ -	\$ 245,757
Tax increment financing projects	-	-	-	169,364	-	169,364
Other purposes	-	-	469,283	-	-	532,534
Assigned for equipment	-	279,847	-	-	-	279,847
Unassigned	252,201	-	-	-	(19,432)	(83,192)
Total cash basis fund balances	<u>\$ 252,201</u>	<u>\$ 525,604</u>	<u>\$ 469,283</u>	<u>\$ 169,364</u>	<u>\$ (19,432)</u>	<u>\$ 1,144,310</u>

See notes to financial statements.

CITY OF IDA GROVE  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

Exhibit C

	<u>Enterprise</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Operating receipts:				
Charges for services	\$ 274,175	\$ 135,895	\$ 167,325	\$ 577,395
Miscellaneous	<u>4,148</u>	<u>68</u>	<u>-</u>	<u>4,216</u>
Total operating receipts	278,323	135,963	167,325	581,611
Operating disbursements:				
Business type activities	<u>246,470</u>	<u>207,305</u>	<u>161,768</u>	<u>615,543</u>
Excess (deficiency) of operating receipts over operating disbursements	31,853	(71,342)	5,557	(33,932)
Operating transfers out	<u>(66,000)</u>	<u>-</u>	<u>-</u>	<u>(66,000)</u>
Net change in cash balances	(34,147)	(71,342)	5,557	(99,932)
Cash balances beginning of year	<u>414,978</u>	<u>(125,065)</u>	<u>76,564</u>	<u>366,477</u>
Cash balances end of year	<u>\$ 380,831</u>	<u>\$ (196,407)</u>	<u>\$ 82,121</u>	<u>\$ 266,545</u>
Cash Basis Fund Balances				
Unrestricted	<u>\$ 380,831</u>	<u>\$ (196,407)</u>	<u>\$ 82,121</u>	<u>\$ 266,545</u>

See notes to financial statements.

CITY OF IDA GROVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of Ida Grove is a political subdivision of the State of Iowa located in Ida County. It was first incorporated in 1878 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, general government services. The City also provides water, sewer, and solid waste utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Ida Grove has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the City.

These financial statements present the City of Ida Grove (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

The Ida Grove Community Rec Center Endowment Trust was established as a non-profit trust in accordance with Section 450.4(2) of the Code of Iowa. The Trust is legally separate from the City but is so intertwined with the City that it is, in substance, the same as the City. The Trust receives donations for maintaining and improving the facilities, programs, and physical plant of the Rec Center and Community building. These donations are to be used for items which are not included in the City's budget.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of or appoint representatives to the following boards and commissions: Ida County Assessor's Conference Board, Ida County Public Safety and Communications Commission, and Ida County Landfill Commission.

Payments made to Ida County Public Safety and Communications Commission during the year ended June 30, 2013, were \$290,894.

CITY OF IDA GROVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Position (previously referred to as net assets) reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

*Expendable Restricted net position* results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of cash balances not meeting the definition of the preceding category. Unrestricted net position often have constraints on cash balances imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and, (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for monies received to be used for property tax relief and community betterment.

The Tax Increment Financing Fund is used to account for projects financed by tax increment financing.

CITY OF IDA GROVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - (Continued)

The Debt Service Fund is used to account for the payment of interest and principal on the City's general long-term debt except when authorized or required to be paid from other funds.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Solid Waste Fund accounts for the operation and maintenance of the City's system of solid waste removal.

C. Measurement Focus and Basis of Accounting

City of Ida Grove maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

CITY OF IDA GROVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

2. CASH

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement Number 3, as amended by Statement 40.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

3. BONDS PAYABLE

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2014	126,433	24,536
2015	131,433	20,069
2016	136,433	15,370
2017	141,433	10,380
2018	16,433	5,103
2019-2023	82,167	18,323
2024-2028	49,302	4,059
	<u>\$ 683,634</u>	<u>\$ 97,840</u>

CITY OF IDA GROVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

4. PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2013, 2012, 2011, were \$39,588, \$35,882, and \$30,350, respectively, equal to the required contributions for each year.

5. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2013, primarily relating to the General Fund, is as follows:

Type of Benefit

Vacation	<u>\$ 16,668</u>
----------	------------------

This liability has been computed based on rates of pay in effect at June 30, 2013.

6. SERVICE AGREEMENTS

The City has an agreement with Ida County Sanitation, Inc. for refuse collection and hauling of solid waste and recyclable materials. Payments under this agreement were \$163,698 for the year ended June 30, 2013.

7. HOSPITAL REVENUE NOTES

The City has issued a total of \$8,860,000 of hospital revenue notes for Horn Memorial Hospital under the provisions of Chapter 419 of the Code of Iowa, of which \$6,493,761 is outstanding at June 30, 2013. The bonds and related interest are payable solely from the revenue of the hospital, and the bond principal and interest do not constitute liabilities of the City.

CITY OF IDA GROVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

8. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2013, consisted of the following:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	44,287
	Tax Increment Financing	85,436
	Enterprise:	
	Water	66,000
		<u>195,723</u>
Total		<u>\$ 195,723</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

9. RISK MANAGEMENT

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, in insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2013 were \$50,698.



CITY OF IDA GROVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

9. RISK MANAGEMENT – (Continued)

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by Lexington Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its casualty capital contributions. However, the refund is reduced by the amount of capital distributions previously received by the withdrawing member and an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

City of Ida Grove is exposed to various risks of loss related to torts; theft, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The City operates a single-employer benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 10 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with United Health Care. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$325-\$902 for single coverage and \$386 for spouse only coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2013, the City contributed \$69,706 and plan members eligible for benefits contributed \$5,498 to the plan.

CITY OF IDA GROVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

11. DEFICIT FUND BALANCE

The Debt Service Fund, Capital Projects Funds, and the Sewer Fund had deficit balances of \$19,432, \$315,961 and \$196,407, respectively at June 30, 2013. These deficit balances are a result of project costs incurred prior to availability of funds. These deficit balances will be eliminated by special assessments, transfers from other funds, increased rates, or cost reductions.

12. INTERGOVERNMENTAL AGREEMENT

The City entered into an agreement with Ida County to provide for the disposal of solid waste.

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The costs to the County for compliance with these requirements have been estimated at \$339,402 according to the County's latest audit report available which was for the year ended June 30, 2012. The Ida County Landfill closed during fiscal year 2008.

The County has begun to accumulate resources to fund these costs and, at June 30, 2012, assets of \$389,098 are restricted for these purposes.

## OTHER INFORMATION

CITY OF IDA GROVE  
BUDGETARY COMPARISON SCHEDULE OF  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES –  
BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
OTHER INFORMATION  
YEAR ENDED JUNE 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final To Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 854,120	\$ -	\$ 854,120	\$ 812,972	\$ 811,942	\$ 42,178
Tax increment financing	66,612	-	66,612	68,731	68,731	(2,119)
Other city tax	217,873	-	217,873	249,502	250,532	(32,659)
Licenses and permits	7,285	-	7,285	5,825	5,825	1,460
Use of money and property	22,650	-	22,650	25,625	25,625	(2,975)
Intergovernmental	237,430	-	237,430	331,770	331,770	(94,340)
Charges for service	143,796	577,395	721,191	727,595	755,035	(33,844)
Miscellaneous	167,542	4,216	171,758	193,581	219,811	(48,053)
Total receipts	1,717,308	581,611	2,298,919	2,415,601	2,469,271	(170,352)
Disbursements:						
Public safety	399,556	-	399,556	404,475	466,569	67,013
Public works	435,505	-	435,505	446,550	547,300	111,795
Health and social services	4,667	-	4,667	4,829	4,829	162
Culture and recreation	447,888	-	447,888	434,986	469,236	21,348
General government	173,900	-	173,900	199,015	199,015	25,115
Debt service	217,065	-	217,065	218,549	218,549	1,484
Capital projects	57,398	-	57,398	211,000	211,000	153,602
Business type activities	-	615,543	615,543	687,105	848,105	232,562
Total disbursements	1,735,979	615,543	2,351,522	2,606,509	2,964,603	613,081
Excess (deficiency) of receipts over disbursements	(18,671)	(33,932)	(52,603)	(190,908)	(495,332)	442,729
Other financing sources (uses)	66,000	(66,000)	-	-	27,539	(27,539)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	47,329	(99,932)	(52,603)	(190,908)	(467,793)	415,190
Balance, beginning of year	1,096,981	366,477	1,463,458	1,333,147	1,009,502	453,956
Balance, end of year	\$ 1,144,310	\$ 266,545	\$ 1,410,855	\$ 1,142,239	\$ 541,709	\$ 869,146

See accompanying independent auditor's report.

CITY OF IDA GROVE  
NOTES TO OTHER INFORMATION – BUDGETARY REPORTING  
JUNE 30, 2013

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year ended June 30, 2013 the budget was amended one time which increase budgeted disbursements by \$358,094. The budget amendment is reflected in the final budgeted amounts.

## SUPPLEMENTARY INFORMATION

CITY OF IDA GROVE  
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

Schedule 1

	<u>Special Revenue</u>			
	<u>Employee</u>		<u>Capital</u>	
	<u>Benefits</u>	<u>FEMA</u>	<u>Projects</u>	<u>Total</u>
Receipts:				
Property tax	\$ 118,744	\$ -	\$ -	\$ 118,744
Intergovernmental	-	1,421	-	1,421
Total receipts	<u>118,744</u>	<u>1,421</u>	<u>-</u>	<u>120,165</u>
Disbursements:				
Operating:				
Public safety	3,280	-	-	3,280
Public works	26,498	-	-	26,498
Culture and recreation	53,554	-	-	53,554
General government	24,867	-	-	24,867
Capital Projects	-	-	57,398	57,398
Total disbursements	<u>108,199</u>	<u>-</u>	<u>57,398</u>	<u>165,597</u>
Net change in cash balances	10,545	1,421	(57,398)	(45,432)
Cash balances beginning of year	<u>49,766</u>	<u>1,519</u>	<u>(258,563)</u>	<u>(207,278)</u>
Cash balances end of year	<u>\$ 60,311</u>	<u>\$ 2,940</u>	<u>\$ (315,961)</u>	<u>\$ (252,710)</u>
Cash Basis Fund Balances				
Restricted for:				
Other purposes	\$ 60,311	\$ 2,940	\$ -	\$ 63,251
Unassigned	-	-	(315,961)	(315,961)
Total cash basis fund balances	<u>\$ 60,311</u>	<u>\$ 2,940</u>	<u>\$ (315,961)</u>	<u>\$ (252,710)</u>

See accompanying independent auditor's report.

CITY OF IDA GROVE  
SCHEDULE OF INDEBTEDNESS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

Schedule 2

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
General obligation bonds:								
Corporate purpose	October 1, 2006	3.70-3.90	\$ 1,010,000	\$ 575,000	\$ 105,000	\$ 470,000	\$ 21,982	\$ -
Infrastructure Note	November 1, 2011	1.25-4.25	246,500	230,067	16,433	213,634	6,738	-
Total				<u>\$ 805,067</u>	<u>\$ 121,433</u>	<u>\$ 683,634</u>	<u>\$ 28,720</u>	<u>\$ -</u>

See accompanying independent auditor's report.



CITY OF IDA GROVE  
BOND AND NOTE MATURITIES  
JUNE 30, 2013

Schedule 3

<u>Year Ending June 30</u>	<u>General Obligation Bonds</u>			
	<u>Corporate Purpose</u>		<u>Infrastructure Note</u>	
	<u>Issued October 1, 2006</u>		<u>Issued November 1, 2011</u>	
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
2014	3.80%	\$ 110,000	1.75%	\$ 16,433
2015	3.80	115,000	2.00	16,433
2016	3.85	120,000	2.25	16,433
2017	3.90	125,000	2.45	16,433
2018		-	2.65	16,433
2019-2023		-	2.85-3.45	82,167
2023-2026		-	3.65-4.25	49,302
		<u>\$ 470,000</u>		<u>\$ 213,634</u>

See accompanying independent auditor's report.

CITY OF IDA GROVE  
SCHEDULE OF RECEIPTS BY SOURCE AND  
DISBURSEMENTS BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST TEN YEARS

Schedule 4

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Receipts:										
Property tax	\$ 854,120	\$ 829,035	\$ 775,057	\$ 722,906	\$ 700,117	\$ 701,960	\$ 635,260	\$ 603,344	\$ 537,045	\$ 542,175
Tax increment financing	66,612	157	105,358	42,301	43,268	42,211	4	34,908	99,718	96,850
Other city tax	217,873	208,068	239,915	204,590	72,214	27,497	60,731	44,748	41,729	38,314
Licenses and permits	7,285	7,380	6,233	6,711	6,606	7,979	7,921	6,870	9,008	6,369
Use of money and property	22,650	23,851	27,507	32,485	51,975	73,213	77,191	63,353	47,954	34,949
Intergovernmental	237,430	235,957	255,820	455,288	222,154	452,118	472,970	291,748	237,346	232,944
Charges for service	143,796	172,231	146,348	140,798	240,967	211,320	202,664	203,660	196,288	172,165
Special assessments	-	-	-	-	-	1,298	542	578	2,043	7,614
Miscellaneous	167,542	205,377	196,492	361,048	486,841	245,726	128,480	132,011	210,108	473,297
Total	<u>\$1,717,308</u>	<u>\$1,682,056</u>	<u>\$1,752,730</u>	<u>\$1,966,127</u>	<u>\$1,824,142</u>	<u>\$1,763,322</u>	<u>\$1,585,763</u>	<u>\$1,381,220</u>	<u>\$1,381,239</u>	<u>\$1,604,677</u>
Disbursements:										
Operating:										
Public safety	\$ 399,556	\$ 387,153	\$ 319,776	\$ 476,719	\$ 306,370	\$ 306,781	\$ 325,842	\$ 280,524	\$ 257,594	\$ 254,600
Public works	435,505	349,456	400,783	497,260	309,886	420,950	427,731	325,179	295,948	330,013
Health and social services	4,667	4,667	4,667	6,693	6,819	7,464	10,040	20,328	20,763	17,506
Culture and recreation	447,888	471,360	400,499	379,793	572,838	373,495	376,070	383,305	317,698	258,039
Community and economic development	-	-	-	125,000	-	-	-	-	-	-
General government	173,900	215,152	236,835	211,800	197,899	213,503	218,002	188,092	180,540	173,439
Debt service	217,065	146,665	161,398	166,612	161,443	182,727	112,965	90,965	131,605	131,715
Capital projects	57,398	426,957	223,680	458,523	72,891	158,749	505,168	207,824	466,939	438,145
Total	<u>\$1,735,979</u>	<u>\$2,001,410</u>	<u>\$1,747,638</u>	<u>\$2,322,400</u>	<u>\$1,628,146</u>	<u>\$1,663,669</u>	<u>\$1,975,818</u>	<u>\$1,496,217</u>	<u>\$1,671,087</u>	<u>\$1,603,457</u>

See accompanying independent auditor's report.

# HUNZELMAN, PUTZIER & CO., PLC

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council  
Ida Grove, Iowa

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of City of Ida Grove, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 24, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Ida Grove's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Ida Grove's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Ida Grove's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items A, B, C, D, and E, to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Ida Grove's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### City of Ida Grove's Responses to Findings

City of Ida Grove's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. City of Ida Grove's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hunnegelman, Putzier & Co., PLLC

March 24, 2014

CITY OF IDA GROVE  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

- A      Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that bank deposits, opening mail, recording receipts and disbursements, checks and payroll preparation, and bank reconciliations are all handled by either of two individuals.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – The City continually monitors accounting procedures and in a small office it is difficult to near impossible to have segregation of duties, as auditors would like. However, when fully staffed there are three employees available to divide the work so it isn't all done by two people.

Conclusion – Response accepted.

- B      Separately Maintained Records - The Centennial Commission and youth recreational organizations currently maintain bank accounts which are not included in the City's financial records. Chapter 384.20 of the Iowa Code states in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee, or other person, and which show the receipt, use, and disposition of all city property. Public moneys may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation – These funds should be included in the City's financial records and any disbursements should be budgeted.

Response – We will be incorporating the youth recreational organizations in the City accounting system as fund accounts have been set up already. We will also set up a meeting with the Centennial Committee to review the history and purpose of those monies.

Conclusion – Response accepted.

- C      Payroll - There was no indication the time cards had been reviewed and approved by appropriate supervisory personnel prior to preparation of the payroll.

Recommendation - Time cards should be reviewed and approved by appropriate supervisory personnel prior to preparation of payroll. The approval should be evidenced by the signature or initials of the reviewer and the date of the review.

Response – Procedures have been put in place for the City Clerk, Library Director, Rec Center Director, Fire Chief and Payroll Clerk to sign or initial the appropriate timecards and or payroll sheets.

Conclusion – Response accepted.

CITY OF IDA GROVE  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements: - (continued)

INTERNAL CONTROL DEFICIENCIES – (continued)

- D      Financial Reporting – We noted that while management is capable of preparing accurate financial statements that provide information sufficient for City council members to make management decisions, reporting financial data reliably in accordance with an other comprehensive basis of accounting (OCBOA) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation – Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable OCBOA financial statements.

Response – The City Council is committed to employee training to expand their knowledge base. An inquiry was made last year to Hunzelman Putzier staff for recommendations on training for city staff and no response was received. The City will continue employing certified accounting personnel to prepare year end financial statements or any necessary financial statements.

Conclusion – Response accepted.

- E      Utility Billing – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent account listing was not prepared monthly.

Recommendation – Utility billing reconciliations should be performed at the end of each month. Accounts receivable reports should also be printed at the end of each month so that delinquent accounts can be readily determined and reviewed by appropriate personnel

Response – Procedures have now been put in place so reconciliations will be done monthly.

Conclusion – Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

- (1)      Certified Budget - Disbursements during the year ended June 30, 2013, did not exceed the amounts budgeted.
- (2)      Questionable Disbursements – We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- (3)      Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4)      Business Transactions - We noted no business transactions between the City and City officials or employees.
- (5)      Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

CITY OF IDA GROVE  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013

Part II: Other Findings Related to Required Statutory Reporting: - (continued)

- (6) Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- (8) Excess Balances - The following funds have balances at June 30, 2013, in excess of one year's expenditures:

Special Revenue    - Road Use  
                              - Local Option Sales Tax

Recommendation - While it appears that these funds may have an excessive balance, this can usually be justified if the City has a specific plan for future expenditures. The City should consider the necessity of maintaining these substantial balances and, where financially feasible, consider reducing the balances in an orderly manner through revenue reductions.

Response - The City plans on utilizing excess funds in Road Use for replacing two closed bridges, and will use Local Option Sales Tax on a Downtown Revitalization grant if funded.

Conclusion - Response accepted.

- (9) Financial Condition - At June 30, 2013, the City had deficit balances in the Debt Service Fund, Capital Projects Funds, and the Sewer Fund of \$19,432, \$315,961 and \$196,407, respectively.

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return the funds to a sound financial condition.

Response - The City staff and City Council will review the deficit balances and transfer funds as appropriate.

Conclusion - Response accepted.

- (10) Code of Ordinances - The City Code of Ordinances has not been updated in accordance with Iowa Code Chapter 380.8.

Recommendation - Chapter 380.8 of the Iowa Code requires that the Code be updated at least annually by compiling a supplement or compile the Code at least every five years.

Response - The City is in the process of updating the City Code of Ordinances.

Conclusion - Response accepted.

- (10) Urban Renewal Annual Report - The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.